HISTORICAL BACKGROUND

1980s: Crumbling Infrastructure

In the early 1980s, governments and their constituents began realizing our transportation infrastructure was crumbling. For years, governments failed to adequately invest in highway maintenance to ensure a stable and reliable network.

Documents such as *America In Ruins: Beyond The Public Works Pork Barrel* led to congressional studies on ways to more effectively manage the public infrastructure. The congressional budget office produced two major reports in the mid-1980s; *Public Works Infrastructure: Policy Considerations For The 1980s* and *Federal Policies For Infrastructure Management*. As a result, voters and elected officials demanded greater accountability and increased investment in the country's transportation network.

About the same time, government began looking at ways to implement management principles used by the private sector. The report *Reinventing Government: How The Entrepreneurial Spirit Is Transforming The Public Sector* documented the application of business and economic principles to managing government agencies.

1991: ISTEA

In 1991, Congress passed the Intermodal Surface Transportation Efficiency Act (ISTEA). This legislation addressed asset management systematically for the first time and required state departments of transportation to develop management systems for bridge, congestion, intermodal, pavement, public transportation and safety assets. Performance measures were included to measure accomplishment and to determine future transportation needs. Additionally, the opportunity for public involvement and input in transportation issues was elevated to new heights.

1993: GPRA

The next major step in the evolutionary process was passage of the Governmental Performance and Results Act (GPRA). This legislation required federal agencies to develop a five-year strategic plan and to revise it at least every three years. The law also required development of a performance plan using objective, quantifiable and measurable goals defining levels of acceptable performance.

1994: Executive Order 12893

Next came Executive Order 12893, Principles For Federal Infrastructure Investments. It required systematic analysis of benefits and costs, including quantitative and qualitative measures for federal infrastructure projects. States were encouraged to do likewise[4].

Benefits and costs, market and nonmarket, quantitative and qualitative, were to be given an objective quantity and a dollar figure to the extent practicable. Additionally, they were to be discounted over the life of a project. This would allow development and comparison of a comprehensive list of alternatives, and informed selection of the best one.[4]

1994: GASB Concepts Statement 2

Another important step was the Governmental Accounting Standards Board (GASB) *Concepts Statement No. 2*, *Service Efforts and Accomplishments Reporting*. This stated that, ideally, a governmental entity should establish and communicate clear, relevant goals and objectives; set measurable targets for accomplishment; and develop and report indicators that measure progress in achieving those goals.[5]

1995: National Highway System

Transportation asset management of highway infrastructure took a step forward with passage of the National Highway System Designation Act, requiring life cycle cost analysis on any project of $25 million or more. Although Congress rescinded this requirement with passage of the Transportation Equity Act of the 21st Century, Michigan law requires this analysis for any project over $1 million.[6]

1999: GASB Statement 34

The most recent event in the evolving process is GASB's *Statement 34*. This recommends establishing expanded guidelines for reporting financial data for state and local governments. While GASB is not an official government agency, its requirements carry substantial weight with auditors and bond rating firms. Government agencies tend to follow GASB guidelines.[7]

The new guidelines require government-wide statements of net assets and depreciation, which includes infrastructure. Net assets are the monetary value of all assets, while depreciation is the cost of using those assets. The idea of this reporting is to demonstrate long-term stewardship of public infrastructure. By integrating all transportation assets, constituents can see costs and benefits of individual functions, and costs as they impact overall asset programs and budgets.[7]

Federal Impacts

The U.S. Department of Transportation has indicated an asset management system would help satisfy GASB requirements. Such a system should: have an up-to-date inventory of assets; perform condition assessment of the infrastructure assets at least once every three years; summarize results using a measurement scale; and estimate the annual amount required to maintain and preserve infrastructure assets at an established condition level.[8]

State & Local Impacts

GASB guidelines offer state and local governments that have already developed asset management processes an alternative called the "modified" approach. If it can be demonstrated that their infrastructures are maintained at an established level, agencies can report their expenses for maintaining and preserving infrastructure assets rather than of depreciating them. Governments that use this "modified" approach must meet and publicly disclose compliance with the requirements of *Statement 34*. This includes reporting the physical condition of infrastructure assets at least every three years, describing how they measure asset condition and plan to maintain the assets at the established level; and comparing the estimated annual amounts for preservation with actual expenses[9].

What Happens Next?

Many principles associated with asset management are now embedded in federal law and regulatory requirements. Further, Michigan's Act 51 Funding Study Committee recommended a long-term, planned asset management process be extended to the state's transportation assets.

Governments using an asset management approach will provide information to their constituents most have never had. Residents will be better able to assess the job their governments are doing building and maintaining infrastructure. Residents using this new information will then be able to communicate more clearly to government officials the level of infrastructure investment, maintenance and condition they prefer.

Investment in Existing vs. New Roads

Existing Road and Bridges
89¢

New Roads
11¢

MDOT's emphasis continues to be maintenance of the existing system. Approximately 89 cents per dollar will be used to preserve and maintain the existing system. Approximately 11 cents will be used for new roads.

For Further Information -
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